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## The Complexities of Organizational Performance

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# The Complexities of Organizational Performance

## Abstract

Tackling the dynamics of organizational performance is difficult. What are the impacts of office politics on organizational performance, and how do they start? How can organizations use performance metrics effectively and circumvent superficial indicators? What is a learning organization? In this article, Olivier Serrat, Head of the Knowledge Management Center at the Asian Development Bank (ADB) in the Philippines, disaggregates performance and its management into several critical components, including performance demotivators; performance metrics; talent management; and, learning at the organizational level.

## Keywords

organizational performance, office politics, performance metrics, talent management

## Comments

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PHOTO: KARIE MARIE

# The Complexities of Organizational Performance

BY OLIVIER SERRAT, ASIAN DEVELOPMENT BANK

Tackling the dynamics of organizational performance is difficult. What are the impacts of office politics on organizational performance, and how do they start? How can organizations use performance metrics effectively and circumvent superficial indicators? What is a learning organization? In this article, Olivier Serrat,

Head of the Knowledge Management Center at the Asian Development Bank (ADB) in the Philippines, disaggregates performance and its management into several critical components, including performance demotivators; performance metrics; talent management; and, learning at the organizational level.

One hundred years after Max Weber vaunted bureaucracy as the pinnacle of social organization, too many public sector organizations remain just that: bureaucracies.

## I. OFFICE POLITICS

One of the most commonly cited examples of performance demotivators in the workplace is office politics. But office politics owe to more than the mere absence of corrective mechanisms. The structure of an organization itself can fire them up. Hierarchical, centralized, or control-oriented structures tend to separate thinking and acting, and entrust strategy and policy making to particular departments, offices, and senior managers. Their top-down flows are often inimical to teamwork within and across units. They exacerbate office politics: in the worst cases, the priority of staff members is not collaboration but protecting or advancing their position, unit, or budget. One hundred years after Max Weber vaunted bureaucracy as the pinnacle of social organization, too many public sector organizations remain just that: bureaucracies—aligned to exercise command and control in support of what he termed “legal domination.” In the 21st century, public sector organizations must become learning organizations. And so, blaming public servants for engaging in office politics is akin to blaming the rat in a laboratory experiment for not behaving the way it is supposed to. Obviously, if personnel are to collaborate across silos, or stop lowballing targets and inflating results, incentives and rewards should be aligned to meet the desired objective.

Performance measurement systems that feel the pulse of the organization and feed lessons back to the system are essential. Regrettably, even if interest in performance measurement grows daily, the state of the art leaves much to be desired. Performance indicators are simultaneously misunderstood, over-promoted, and misused. First, conflicting definitions of performance indicators abound. Second, complex issues of cause-and-effect are seldom considered. Third, the many dimensions of performance, namely relevance, efficiency, effectiveness, sustainability, impact, and quality, imply that there can be no single assessment of accomplishments overall. Fourth, performance measurement must have a purpose; it can never be an end in itself. Fifth, many other things besides performance indicators are needed to facilitate achievements.

Since most people compete for scarce resources, they will also naturally pursue only those behaviors and activities that are rewarded. Performance measurement must restrain demotivators, such as office politics, and build motivators, such as fairness, that make people strive to do the best they can. In an environment of positive accountability, collaboration, truth telling, and learning would be rewarded, not just hitting all-too-often senseless targets.

## THE PERVERSE EFFECTS OF PERFORMANCE INDICATORS

While some performance indicators can create a superficial sense of progress in public organizations, it is systems, not indicators per se, that contribute most to these false impressions. Performance indicators can pertain to only those matters that an entity controls. But neither organizations nor individuals ever command much; they usually settle for subprime indicators that afford enough con-

trol for their purposes. Consequently, interest has grown in approaches to planning, monitoring, and evaluation of outcomes and their metrics that consider actor-centered development and behavioral change, continuous learning and flexibility, participation, and accountability.

## USING PERFORMANCE INDICATORS EFFECTIVELY

Benjamin Franklin said “I conceive that the great part of the miseries of mankind are brought upon them by false estimates they have made of the value of things.” But, the miseries do not owe to misuse of typical indicators, even if those associated with crude use of budgets and personnel evaluation are prime suspects. Rather, there can be separate reasons for engaging in performance measurement. They are to evaluate, control, budget, motivate, promote, celebrate, learn, and improve. No single metric is appropriate for all eight objectives. There is no escaping this: to promote performance leadership, organizations must examine both its shortcomings and its pernicious effects and create incentives and rewards that work. When rewards and perquisites go to mere cleverness or compliance, or even when they support nonperformance, an organization declines in tune with these attributes.

## II. ORGANIZATIONAL LEARNING

### THE RISKS OF NOT LEARNING AS AN INDIVIDUAL AND AS AN ORGANIZATION

Learning is the key to success—some would even say survival—in today's organizations. The basic insight is that as the scope, scale, and speed of change grow, so do the risks from not learning. Learning should be greater than the rate of change and the ultimate risk to organizations is that they will fold and die. Why then, one might ask, is the static organization not yet extinct? The answer is that it may still have comparative or absolute advantages such as brand identity, technological exclusivity, or economies of scale. Else, it may—for a while longer—be operating in slow markets characterized, for instance, by low trading volumes or levels of volatility. But the idea is not to ponder the dimensions of swift or painful death but, rather, contemplate the living benefits of learning organizations.

### DESIGNING A PERFORMANCE MEASUREMENT SYSTEM

In designing a performance measurement system should an organization ask itself “have we done the following things right?”, or ask the more basic question, “how do we decide as an organization what is right?”

The former question is referred to as single-loop learning. Learning is often narrowly focused on first-order questions such as: How do we do it? (following the rules). Yet, learning is stronger when people ask the second-order question: What should we do? (changing the rules). The third-order question is expressly political: Why should we do it? (learning about learning). A bias toward the technical “how” is single-loop learning. Organizations find it more



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difficult to address the question of “what” to do, and questioning “why” is usually abandoned as ideological, threatening, or not productive. However, when organizations “loop” through, considering all three types of questions, they make more responsible and intelligent choices.

### WHY CREATE A LEARNING ORGANIZATION?

In no particular order, one creates a learning organization to understand risks and diversity more deeply; increase ability to manage change; clarify vision, purpose, values, and organizational behavior; balance the demands of stakeholders; produce a wide range of solutions to organizational issues; reduce the likelihood of repeated mistakes; reconcile the pressures of long-term effectiveness and short-term efficiency; expand the horizons of who we are and what we can become; for client relations; for innovation; for independence and liberty; to engage in community; for awareness of the critical nature of interdependence; for superior organizational performance and competitive advantage; for an energized, committed workforce; and yes, to avoid decline.

The ideal of the learning organization encourages organizations to go beyond a single-loop learning focus on efficiencies and first-order symptoms to double-loop and even triple-loop learning. In double-loop learning, organizations continuously challenge assumptions, categorize second-order problems from patterns, and rethink underlying strategy based on insights. They examine how practice diverges from their working theory and deal with inconsistencies. Hence, double-loop learning often challenges the status quo of existing processes. In triple-loop learning, the highest order of organizational learning, they question the *raison d'être* of the organization; reconsider its principles and policies; and arrive at renewed statements of identity, values, culture, and worldview that may even impact their external environment.

### III.

#### THE IMPORTANCE OF ORGANIZATIONAL ADAPTABILITY

“It is not the strongest of the species who survive, nor the most intelligent; rather it is those most responsive to change.” — Charles Darwin

This quote from Darwin illustrates the importance of adaptability in organizations. But what tangible things can a manager do to make a public sector organization more responsive to change when he or she is limited by tight budgets? In practice tight budgets hardly ever really explain much. They are a perennial excuse for despondency. In the 21st century, managers are responsible for the application and performance of knowledge at the task, team, and individual levels. Their accountability is absolute and cannot be relinquished. Once upon a time, the standard duties of managers were to set objectives, organize, communicate, energize, measure accomplishments, and develop people. Excepting the smallest or-

ganizations, they must now also take greater risks more often over longer periods, visualize their organization as a whole and blend their function within it, manage by objectives, inspire and motivate knowledge workers, build cohesive teams, and communicate information rapidly and succinctly. Without a doubt, management and its requirements are more complex and there is no room for safe mediocrity. A tall order? Yes. And it is perhaps taller if one is limited by tight budgets. But it is an order on which responsiveness to change depends.

### IV.

#### LEADING TOP TALENT IN THE WORKPLACE

##### MANAGING TOP TALENT

In the 21st century it is essential for organizations to be able to manage top talent or “mavericks” to ensure that they are not only content with their roles in an organization, but that they are contributing to their full potential. But how can a manager in a large organization best identify top talent and keep track of its performance and progression within the organization?

Nowadays, certainly in organizations, one has to be the best at something; it is no longer enough to be good, or pretty good, at a number of things. For decades, organizations felt comfortable with policies, strategies, structures, systems, and business processes that kept them in the middle of the road—it made sense: after all, that is where clients stood or sat. These days, however, the middle of the road is the road to nowhere. There is so much change; there is so much pressure. There are so many different ways of doing everything that business-as-usual is dead. It is time to rediscover the power of work and forge better ways to lead or compete—but in both instances, succeed—with those who do the intellectual work that matters most. For sure, human resources divisions must shift the focus of what they do, e.g., measuring cost per hire, or the impact of initiatives on skills and attitudes, to the quality of the talent decisions they support. Above all, since first-level managers (not to excuse top- and middle-level managers) are primordial to engagement, a new type of leader, one that neither lacks self-confidence nor imagination, must emerge. He or she will (i) know how to discover and learn, and manage and inspire discovery and learning in others; (ii) grasp how to identify and validate ideas, and transform them into opportunities; and (iii) nourish and trigger the imagination of individuals in teams, and translate the results into innovations that benefit organizations and society at large. They must have these abilities. Else, how can they lead top talent, that is, people who know their worth, are organizationally savvy, ignore corporate hierarchy, expect instant access, are well connected, and have a low boredom threshold?

Upstream of that, to make talent happen, high-performance organizations will have given it strategic and holistic attention. Talent management refers to the additional processes and opportunities that an organization makes available strategically to a pool of people who are deemed to have talent. If talent is not

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identified and managed by the entire management team, not only the human resource management unit, it may just as well be defined as a dormant or untapped quality to be accessed in the future, either in an individual or in the collective. Having understood what motivates and drives talented people, organizations must then become management innovators and recognize that they do not need the same talent pool segments all the time (with implications for talent pool strategies, talent management systems, and talent management activities).

The value of an integrated model for managing talent that links directly to improved organizational effectiveness is not lost on organizations. However, at this juncture, many note that an integrated approach is one of the most difficult of all talent management activities to implement, sustain, and enhance. Next in line, in terms of difficulty, is creating more consistency in how talent is identified, developed, and moved throughout the organization. Third is giving senior leaders greater ownership of and accountability for the talent pipeline. Next, in diminishing order of difficulty, is focusing more on key workforce segments; redefining the critical attributes and competencies needed for the next generation of leaders; linking rewards more closely to performance; improving quality and use of analytics to monitor the need for, and supply of, talent and better differentiate performance; and scaling and adapting talent strategies on a global basis. Recognizing that these processes are necessary to succeed in the 21st century is the first, essential step.

#### BUILDING A DREAM TEAM

It is completely within reason for a manager today to shoot for a team consisting solely of top talent. In sports, it is the order of the day. Organizations with winning employee value propositions have a compelling answer to the question, “Why would a talented person want to work here?” To create such a proposition, a great organization tailors its brand and products—that is, the jobs it has to offer—to appeal. It also pays the price it takes to recruit and retain talented people. Surveys have shown that talented people care deeply about values and culture, freedom and autonomy, challenging jobs, and good management. Differentiation is important to their compensation and lifestyle. In sum, the rewards they demand are psychological, developmental, and financial. A company that has built an employee value proposition can claim that a greater share of its personnel is top talent.

Where performance is less than satisfactory, organizations should not resort to forced ranking: many have excoriated that as misguided, destructive, and outright antithetical to sound leadership. Forced ranking is a management tool that relies on annual evaluations to locate an organization's best and worst performing personnel, using person-to-person comparisons. To improve the quality of the workforce, managers typically rank personnel against one another into three categories: the top 20 percent are “A” players who are expected to lead the organization in the future; the middle 70 percent are “B” players who are encouraged to im-

prove; the bottom 10 percent are “C” players who are either offered training, encouraged to move elsewhere, or dismissed. Where it works, forced ranking loses its effectiveness after a couple of years because the average quality of personnel increases (else, the exercise is proved a failure) and there are fewer “C” players to identify.

Critics have argued that forced ranking engenders a pseudo-competitive environment conducive to patronage and yes-men; limited risk taking, creativity, and teamwork; as well as unethical (if not cutthroat) behavior that destroys trust in the workplace and depletes morale. It can also discourage workers from asking for help for fear they will be identified as low performers. Ironically, it can result in even good performers being cut if used on a yearly basis.

Organizations should examine the question of motivation with a fresh sense of purpose and conviction. Engagement is a multifaceted construct that has been variously defined. Even so, on the whole, personnel engage when they feel appreciated and involved. In such instances, they are likely to hold a positive attitude about the organization and its corporate values, assuming the latter are enacted, not just espoused. This translates into correct focus and enthusiasm about work as well as mindful proactivity and persistence in the conduct of it. There are four dimensions to it: (i) cognitive (or intellectual)—thinking hard about one's profession and how one might perform it better; (ii) emotional (or affective)—feeling good about doing a good job; (iii) social—taking opportunities to discuss work-related improvements with others; and, even if literature rarely mentions it, (iv) physical—mustering the stamina to “go the extra mile”. If much in organizations can be explained by networks of transactions, treating people as cogs in a machine will impair the potential contribution they might make and engender unpleasant feedback. Organizations that understand the what, why, and how of staff engagement and take continuous actions to overcome generic and more specific barriers to it will unleash performance and well-being in the workplace.

**The views expressed in this article are those of the author and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.**



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